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## COPARTNERSHIP FOR HOUSING IN AMERICA

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The problem of new housing is three-fold, architectural, social and financial. Present methods are but partially successful in solving any of these phases, largely because the incentive to attain ideal conditions is lacking. Under the "landlord system," so-called, the interest of the original owner is in financial returns and speculative profits, whereas the dweller is interested primarily in social returns, that is, in the utility of the property.

Barring philanthropy, which is of relatively limited application, the only sure way to make these interests identical is for the resident to become the "original owner," that is, the owner before the property is developed. He must obtain capital at a fixed rate, commensurate with the risk involved, and retain all surplus and speculative profits. To secure the economies of wholesale operations there must be collective action. Finally with the adoption of such methods many concomitant advantages, chiefly of a social nature, will become practicable. Prominent among these will be the adoption of advanced methods of construction and of city planning, in the development of garden suburbs and the provision of many social functions for common use, such as community playgrounds and club-rooms.

There are three rather sharply defined types of organization for housing operations aiming to meet most of these conditions, which may be termed for convenience the limited dividend, the homestead aid, and the copartnership companies.

The limited dividend company has been in operation in this country for a number of years, usually with the rate fixed at 5 per cent. Up to the present time twelve or more companies have erected some eighteen hundred or more houses and as many tenements in the United States. Several additional companies have recently been organized, so that the movement is evidently spreading. These are stock companies similar to any real estate company, except for the dividend limitation. They either rent or sell for cash or installments.

Speculative profit is eliminated, the surplus going into improving the property or reducing payments. But the residents, as such, have no voice in the affairs of the company; and the creation of new companies depends entirely on outside initiative of a philanthropic or altruistic nature. In England most of the garden suburbs have been organized as limited dividend companies on a five per cent basis, there being at present twenty-one companies, which have already erected over 9,000 houses on 2400 acres and propose to expand over 10,000 acres with a total of 37,000 houses.

Homestead aid for individual purchasers of single houses is to a great degree already supplied by the various mutual banking institutions, but so far as the writer knows it is not in operation with participation by the residents in wholesale developments for workingmen, in which collective action would secure many benefits. Such a scheme is, however, now being attempted in Massachusetts

The third type of organization, copartnership, is a more radical advance over current methods. It is sharply distinguished from the preceding two companies by the collective ownership of the property, each resident renting from the company, of which he is a member. Once the traditional American prejudice against coöperative or social enterprises is overcome the copartnership type would seem to have the widest application to the problem of providing homes at the lowest cost and with the greatest attendant economies and advantages.

The resident will live in an attractive neighborhood and in a well built house which he is encouraged to take care of; he will secure capital at a low rate, and will profit by economical wholesale methods; he will retain all surplus profits and the unearned increment; and, finally, with common ownership he is secure from loss in case he has to move.

The copartnership method is not at present in operation in the United States, though one company is beginning work in Canada. Seventeen companies have been organized in England in the past ten years, and over three thousand houses have been erected on 700 acres of land. Smaller developments have also taken place in Germany and elsewhere on the continent.

The movement in England may properly be said to have been started in 1901 at Ealing, near London, though a small company, the Tenant Coöperators, Ltd., had been operating in scattered districts outside of London since 1888, apparently, however, with no succeeding developments. Coöperative societies have also aided their members

in acquiring some 46,000 houses by loans aggregating \$46,000,000 under methods similar to those of American building and loan associations, but have not been thus far as a rule very progressive in adopting modern ideals in planning.

The Ealing Tenants, Ltd., which is often referred to as the pioneer copartnership suburb, was organized by a few men in the building trade, under the guidance of Mr. Henry Vivian, who has since become the leading exponent of the movement. From small beginnings the society grew, at first slowly, but with increasing momentum until in 1909 the estate covered sixty acres, with provision for seven hundred houses and a valuation of \$1,300,000. At first, but one of the ideals of copartnership, the improved method of financing and tenure, was worked out. During the first five years the building was of the usual rather uninteresting type in rows along the street, but in 1906 a large additional tract was planned along advanced garden suburb lines, with artistic houses limited in number per acre and attractively grouped, and with large common grounds for recreation, allotment gardens, and many other advantages which naturally arose from the participation by the tenants in the ownership of the property. This up-to-date type of site-planning has been adopted by all the copartnership companies subsequently organized. A third ideal identified with the movement, coöperation in building, has been much slower in being put into effect, though recently several such companies have been started in the various trades.

Fast following the Ealing Tenants came the organization of a company near Leicester. This also developed slowly at first and did not obtain its site of 48 acres until 1907. Meanwhile twenty-four houses were built by a small company in Kent in 1903. In the same year Letchworth, the first Garden City, was begun in the open country thirty-five miles north of London and a portion set aside for a copartnership company.

With the growth of the movement the necessity for a central body became apparent, and in 1907 the Copartnership Tenants, Ltd., was established. Most of the local societies have joined it and contribute 1 per cent of the value of their properties to it. Its objects are stated to be: (a) To provide expert advice, based on accumulated experience, of how to buy, lay out, and develop an estate; (b) to raise capital for such societies as join the federation and accept its advice; and (c) to pool orders where practicable so that the benefits

of wholesale dealing in building materials shall be secured to the societies joining the federation.

In the past seven years ten additional companies have come into being in various parts of England, the total valuation of the fourteen affiliated companies being some \$6,000,000. Of special interest are the Hampstead companies, which own three large tracts in the Hampstead garden suburb on the edge of London. Here many new community benefits were first worked out under the expert planning of Mr. Raymond Unwin, which set the standard for garden suburb development on a very high plane. It is the purpose of the present article, however, to deal primarily with financial methods and not the physical aspects.

These copartnership societies, as they are called, are 'registered with limited liability' under a "provident societies act." Capital is of two kinds—shares and loan stock. Each resident rents his house from the society and must subscribe to a certain amount of share stock; but not over \$1,000 in shares may be held by any one person. Five per cent is usually paid on shares and 4 per cent on loan stock; and the surplus, after paying for repairs and a sinking fund, is credited in capital to each tenant according to the rent he pays, until he holds the value of the house he lives in; and after that it is paid in cash.

The advantages of such an arrangement, already referred to, are, briefly: capital at a very low rate, economy of wholesale operation, responsibility by the tenant in the property, and safety from loss in case of removal.

The American development of the copartnership plan will naturally differ somewhat from the British methods, in order to meet local conditions, but the fundamental principles should remain unaltered. To organize such a company the first step will usually be for a committee to issue a prospectus, based if possible on an actual piece of land, upon which an option has been secured. This pamphlet should make an appeal alike to the prospective resident and to the investor and should give a concrete description of the workings of the company. As this is at present pioneering work in the United States, the following draft, which has been adopted by the Massachusetts Homestead Commission, is presented as a basis for such a prospectus. A number of allied benefits, such as remission of rent, have been incorporated, thus combining the best practices known for the development of improved housing.

## COPARTNERSHIP HOMES COMPANY

## I. OBJECTS

The objects of this company are:

1. To promote the economic erection, coöperative ownership, and administration of healthful homes in attractive surroundings, at sufficiently low cost to be within the reach of all who desire to improve their home conditions.

2. To avoid the dangers that too frequently accompany the individual ownership of houses and speculative building devoid of public spirit.

3. To harmonize the interests of resident and investor by an equitable use of the profit arising from the increase of values and the careful use of property.

4. To provide an opportunity for gardening under instruction, thus maintaining the home in part through the use and sale of products.

To quote Mr. Unwin:

"The introduction of the copartnership principle marks a new era in housing; for not only is the individual likely to procure for himself a better house and larger garden by obtaining them through a copartnership society than by any other means, but the introduction of coöperation opens up quite a new range of possibilities. For through the medium of coöperation all may enjoy a share of the many advantages, the individual possession of which can only be attained by the few. . . . In fact the scope of the principle is limited only by the power of those who associate to accept and enjoy the sharing of great things in place of the exclusive possession of small things."

## II. METHODS

1. Suitable land will be acquired accessible to the city, and will be planned along advanced garden suburb lines, restricting the number of houses per acre and their character and arrangement and providing adequate roads, sites for community buildings, and allotment gardens, where the wage-earner may successfully carry on intensive gardening under competent instruction and go far towards paying the rent of the home. Under the allotment scheme he may undertake as much or as little as he feels able to carry along without being required to assume the obligation of the additional area in subsequent years.

2. It is aimed to assure a better means of laying out property and building houses. Every road will be developed with its own characteristic features; every tree so far as possible will be kept; and others planted according to a careful plan. There will be playgrounds for children, recreation centers for all ages, sites for school and other community buildings, and spaces for allotment gardens. No house may darken its neighbors, but they will be attractively grouped around central features, adopting the most recent advances along city planning lines.

It is hoped to prove that people with small means can secure adequate homes, with opportunity to garden, and continued increase in community benefits. The social center should develop into a powerful factor in the lives

of the residents. By these methods health has been proved to be augmented, the death rate reduced, and good citizenship promoted.

3. Substantial, sanitary, convenient homes will be erected, closely adapted to the needs of the prospective residents.

4. A prospective resident must present references and be approved by the directors, and he must take up at least two shares of common stock.

5. He will pay a reasonable rental and after fixed charges are paid will share whatever surplus profits are made in proportion to the rental.

6. As dividends on rent and on common stock are credited in common stock until the value of twenty shares is reached, subsequently these dividends will practically offset the rent.

7. The cost of repairs will be deducted from the twelfth month's rent and the remainder remitted to the resident, thus still further encouraging care in the use of the property.

### III. ADVANTAGES

#### *A. To the resident*

1. He gets a home at a rental not higher and probably less than elsewhere and is encouraged to take care of it by having his twelfth month's rent remitted, less the cost of repairs.

2. He gets a house with a garden, and plenty of fresh air—a house well built and sanitary, with some individuality, in which he can take pride. He lives in a neighborhood where all are equally desirous of keeping up the property.

3. Economies will be effected through wholesale buying of land and materials, building houses in numbers, efficient management, saving in legal expenses, and the elimination of speculative profit.

4. He can invest his savings in the company at 5 per cent.

5. The unearned increment goes to benefit all the resident members, for with increase in values they will get either a dividend on rent or pay rent below market value.

6. He secures practically all the surplus profits after fixed charges are paid, in the form of a dividend on his rent, this being credited in common stock until his total holdings equal twenty shares, after which they are paid in cash.

7. He lives in a social atmosphere, with new and vital interests, and collective friendships in the community. He has a mutual interest in common recreation facilities, playgrounds, halls, etc.

8. Ownership is common, not individual, thus providing security from the risk of loss if a resident has to leave, as he has no liability beyond the shares he holds, on which he may continue to receive dividends, or which he may dispose of.

9. Capital is provided at a cheaper rate than by any other sound system, due largely to wholesale operations. Outside capital is gradually retired by savings.

*B. To the investor*

1. The company by collective ownership and responsibility offers an exceptional security.

2. The greater the surplus, the less the risk, and it is to the interest of the residents, who receive surplus profits, to take care of the property, thereby lessening depreciation, to find tenants for empty houses, and to pay rent punctually. This individual interest is found to equal in value 1 per cent per annum on the capital.

3. The common stock forms a fund on which the company can draw if necessary for temporary arrears in rent, or repairs due to neglect, thus eliminating loss from this item.

## IV. FINANCIAL SCHEME

The business of the ..... company shall be carried on by a board of directors, ultimately to be elected by the holders of common stock; but until the common stock is about one-half paid in the holders of preferred stock shall be entitled to an equitable representation (see memorandum).

The authorized capital stock of the company shall be \$200,000. The value of each share shall be \$100. There shall be 500 shares of common stock and 1,500 shares of preferred stock.

Common stock shall be paid for at a rate of not less than 10 per cent upon allotment, and the remainder in installments of not less than \$1 per month per share, until fully paid up, and shall be entitled to dividends not to exceed 5 per cent, payable quarterly, after all other obligations of the company are paid. Dividends shall be applied as payments on stock until the equivalent of twenty shares is fully paid up. Not more than twenty shares shall be held by any one person. Shares shall be transferable, subject to approval by the directors of the company.

Preferred stock shall be paid in full, not less than 10 per cent at the time of subscription, and 30 per cent each succeeding month thereafter, and shall be entitled to dividends as stated on the certificates, but in no case exceeding 5 per cent, cumulative, payable quarterly, out of net earnings. Holdings are not limited and are transferable. Preferred stock may be retired in any part at par on a year's notice by the directors of the company.

First mortgages at 5 per cent will be placed by the company as rapidly as houses are completed, covering 60 per cent of the value.

A reserve fund shall be established after all interest and dividends on preferred stock are paid, paying into it at the rate of 1 per cent of the outstanding capital stock per annum, until it equals the value of the outstanding stock.

## V. PROCEDURE

With the total issue of 2,000 shares taken up about 250 houses can be built. As soon as sufficient subscriptions are received options will be secured on suitable tracts.



The first annual meeting will be called within one month from the time that \$15,000 on stock is paid in and a total of \$40,000 subscribed.

The ..... company will make it practicable for a family in moderate circumstances to live in a healthful home and in attractive surroundings, and at the least cost; and to maintain it in part through the use and sale of garden products, raised on adjacent land. The undersigned committee invites your subscription to common or preferred stock. Please use the accompanying forms.

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*Committee.*